IN THE

Supreme Court of the United States

OCTOBER TERM, 1955

No. 76

THE COLD METAL PROCESS COMPANY and THE UNION NATIONAL BANK OF YOUNGSTOWN, OHIO, TRUSTEE, Petitioners,

v.

UNITED ENGINEERING & FOUNDRY COMPANY, Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Third Circuit.

BRIEF FOR RESPONDENT

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CITATIONS

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BRIEF FOR RESPONDENT

OPINIONS BELOW

In the former litigation between the same parties, Equity 2506, for patent infringement, the opinion of the district court is reported at 3 F. Supp. 120, and the opinion of the Court of Appeals (dismissing United's appeal) is reported at 68 F. 2d 564. Certiorari denied 291 U. S. 675.

The opinion of the district court in this case, Equity 2991, on Cold Metal's* motion for a preliminary injunc-

* The litigations herein referred to were originally brought by or against the petitioner, The Cold Metal Process Company, alone. Subsequently, in Equity 2991 and in Civil Action 7744, the second petitioner was added as a party, as the assignee of the first petitioner. For convenience, the first petitioner, or both petitioners, are herein referred to as "Cold Metal," and respondent is referred to as "United."

tion is reported at 9 F. Supp. 994; and the opinion of the Court of Appeals on that motion is reported at 79 F. 2d 666. The opinion of the district court after final hearing and before the reference to a master for an accounting is reported at 83 F. Supp. 914 (R. 171-177); and the opinion of the Court of Appeals after trial is reported at 107 F. 2d 27 (R. 178-188). The opinion of the district court on United's motion to file a supplemental answer and counterclaim in Equity 2991 is reported at 43 F. Supp. 375 (R. 188-192). There was no appeal from denial of that motion. The opinion of the district court confirming the Master's Report is reported at 132 F. Supp. 597 (R. 46-56); and the opinion of the Court of Appeals denying the motion to dismiss United's pending appeal is reported at 221 F. 2d 115 (R. 76).

In the copending litigation between the same parties, Civil Action 7744, the opinion of the district court dismissing United's ancillary cross-complaint is reported at 92 F. Supp. 596 (R. 193-200); and the opinion of the Court of Appeals (holding the complaint ancillary to, but properly a counterclaim in Equity 2991) is reported at 190 F. 2d 217 (R. 200-210).

QUESTIONS PRESENTED

The following questions are presented:

1. Is the judgment of the district court final and appealable under amended Rule 54 (b).

2. Would the judgment of the district court have been final and appealable without amended Rule 54 (b).

STATEMENT OF THE CASE

While petitioner's statement of the case is in most respects satisfactory, it fails to give the court the complete background out of which the two litigations now pending in the district court arose. It does not adequately show the relation of those litigations and the respective issues therein arising, necessary to a complete understanding of the nature and effect of the judgment in Equity 2991 that has been held by the trial court and the court of appeals below to be final and appealable under present Rule 54 (b). The prior litigations leading to the present judgment, and the prior pleadings, throw light on the propriety of a final appealable judgment at this stage of this long litigation.

On June 20, 1927, the parties entered into the patent license contract (R. 16-18) on which the pending litigation is based. The third paragraph of that contract (R. 17) provides for grant of the license defined therein to United, when and if a patent should issue to Cold Metal containing certain claims.

That patent (1,779,195) issued on October 21, 1930. Instead of granting the license, Cold Metal took the position—a position that it has ever since asserted in the courts below (R. 22-23, 38) and in other courts (R. 39, 40)—that United has never been entitled to receive, and has never actually received, any license under the 1927 contract.

On March 7, 1931, Cold Metal filed its suit in Equity 2506, charging United as an infringer, without license, of patent 1,779,195. United contested validity of that patent and, alternatively, pleaded license under the 1927 contract. On January 9, 1933, the district court found

the patent valid, but dismissed the complaint because of the license contract. 3 F. Supp. 120. United appealed from the holding of validity; but, upon Cold Metal's motion, the appeal was dismissed by the appellate court below on January 3, 1934, on the ground that United, being a licensee, could not contest validity of the patent. 68 F. 2d 564; cert. den. 291 U.S. 675. This ended the proceedings in Equity 2506.

On July 7, 1934, Cold Metal filed an infringement suit under patent 1,779,195 against a subsidiary of the U. S. Steel Corporation, predicated in part on the use of a licensed United mill. United, on October 15, 1934, sought to enforce the decree in Equity 2506 by filing suit Equity 5059 against Cold Metal in Ohio (where Cold Metal was incorporated), seeking enforcement of the contract and praying that Cold Metal be restrained from suing users of licensed United mills (R. 100, 102, 104, 120, 123, 125). Previously, on July 9, 1934 and on October 3, 1934, United had asserted its *exclusive* license rights under the 1927 contract, by filing suits as exclusive licensee (joining Cold Metal) in Ohio and Indiana, respectively, against competing unlicensed mill builders for infringement of patent 1,779,195. See 9 F. Supp. 994 and 79 F. 2d 666.

Shortly thereafter, on November 17, 1934, Cold Metal filed its original complaint (R. 77-96) in the present action, Equity 2991, asking (R. 94) for (1) an injunction to restrain United from prosecuting its Ohio suit against Cold Metal, and United's two infringement suits as exclusive licensee and (2) determination of the amount payable by United under the 1927 contract. Cold Metal's motion for a preliminary injunction was denied by the district court. 9 F. Supp. 994. Cold Metal ap-

pealed from this interlocutory order; and on September 27, 1935, the Court of Appeals reversed the district court and ordered that the preliminary injunction issue as prayed by Cold Metal. 79 F. 2d 666. In its opinion, the Court of Appeals stated that the 1927 contract could not be specifically enforced "because there are no terms to enforce"; that "the agreement not being a license, either *per se* or equitable," would not support the Ohio suit against Cold Metal; and that "United does not presently have an exclusive license" that would support its two pending infringement suits. 79 F. 2d 666, 669. Pursuant to mandate, the lower court issued a preliminary injunction on December 19, 1935, restraining United from prosecuting the three suits above mentioned.

On May 11, 1936, Cold metal filed its supplemental complaint (R. 127-134) in Equity 2991, asking the court to declare the 1927 contract "cancelled, revoked and annulled" and to enjoin United from any further operation under patent 1,779,195 (R. 134).

After a trial on the supplemental complaint, the district court, on January 4, 1938, again held the 1927 contract valid and enforceable, and directed an accounting before a master. 23 F. Supp. 914 (R. 171-177). In its decree (R. 18-20), dated February 4, 1938, the district court (as required by mandate of the appellate court) made the preliminary injunction permanent.

Cold Metal *alone* appealed. On June 15, 1939, the Court of Appeals *reversing* its previous decision (in 79 F. 2d 666), held that the outstanding injunction should be dissolved,* that the license contract was valid and en-

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* The suits that United had been enjoined from prosecuting were later dismissed without prejudice.

forceable, that United had the *exclusive* license defined in the contract, and that the master to be appointed for the purposes of an accounting could supply to the contract the missing rate of royalty from an "understanding" between the parties as shown by the record. 107 F. 2d 27 (R. 178-188).

On August 30, 1940, Cold Metal granted to the U. S. Steel Corporation an *unlimited* license to build, have built for it and use mills under patent 1,779,195, *inter alia,* and agreed to hold the Steel Corporation harmless against any claims by United under the 1927 agreement. Cold Metal also agreed to offer similar licenses to the entire steel industry (R. 24).

On June 20, 1941, United filed a motion in the district court for leave to file an amended answer and counterclaim in Equity 2991, complaining of Cold Metal's acts and seeking to enforce the 1939 adjudication of the Court of Appeals in Equity 2991 (R. 23-27). On February 18, 1942, the district court denied the motion, on the ground that the court could only carry out the existing mandate of the Court of Appeals. 43 F. Supp. 375 (R. 188-192). The opinion stated (R. 190-192) that the affirmative relief (injunction) sought by the counterclaim should be the subject matter of "another action," while the effect of the alleged breaches of contract by Cold Metal could be raised before the master in determining the payment due Cold Metal.

On September 29, 1943, the district court entered a decree appointing a master to determine the payment due from United for past operations under the contract, and to ascertain and state the rate and basis of payment on licensed mills sold thereafter (R. 20-22).

Statement of the Case.

On March 28, 1949, United filed its "Ancillary Cross Complaint," Civil Action 7744.* There United sought, *inter alia,* to enforce the previous decisions of the courts below (1) to enjoin infringement suits by Cold Metal against users of licensed United mills; (2) to require Cold Metal to account for moneys it had collected for use of the mills within the field of United's exclusive license, and (3) to recover such moneys *to the extent necessary to offset or recoup any amount of royalty that might otherwise be due from United for the license* (R. 42-44).

United filed a motion in Civil Action 7744 for a preliminary injunction to restrain Cold Metal from suing users of United licensed mills. Cold Metal filed a motion to dismiss the complaint (R. 192-193). Its motion was granted on August 28, 1950, Judge Follmer holding that the action was not ancillary to either Equity 2506 or Equity 2991. 92 F. Supp. 596 (R. 193-200).

United appealed. The Court of Appeals below, on June 8, 1951, held that the subject matter of United's complaint was *clearly ancillary* and within the jurisdiction and venue of the district court below, but stated that

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* Counsel for the parties have stipulated that the original "Ancillary Cross-Complaint," filed on March 28, 1949, need not be printed in the record, since it is essentially the same pleading as the "Amended Ancillary Complaint and Counterclaim" (R. 28-44), amended on October 29, 1951, except for the titles of the two pleadings and the use of the word "counterclaim" which appears in the amended pleading but not in the original pleading. See stipulation as to the parts of the record to be printed, dated October 28, 1955, and on file with the Clerk of this Court.

the complaint should have been filed as a "counterclaim." 190 F. 2d 201, footnote 1 (R. 201). In an amendment to its opinion (Footnote 17, R. 209-210), the court stated that this "counterclaim" *was not a compulsory one,* on the ground, *inter alia,* that it had not matured until after the Court of Appeal's 1939 decision in 107 F. 2d 27 (R. 178-188), when (it said) for the first time "United became possessed of rights which it could litigate."

United thereupon, on October 29, 1951, filed its "Amended Ancillary Complaint and Counterclaim" in Civil Action 7744 (R. 28-44).

The master's report on the accounting in Equity 2991 was filed on May 28, 1954 (R. 8). Before objections thereon had been filed, Civil Action 7744 was noticed for pre-trial and trial before Judge Miller of the district court below. On July 6, 1954, counsel for Cold Metal and for United went before Judge Miller and *jointly* informed him that they *desired to dispose of the master's report before trial of the issues in the co-pending civil action,* and that those issued were—

> "in a major respect dependent upon disposition by the court of the report of the special master in Equity 2991"—

and that disposition of the master's report might make it undesirable to try the copending civil action. Thereupon, Judge Miller entered an order, reciting the agreement of counsel on which it was based, continuing the civil action *sine die* and removing it from the trial calendar (R. 45-46). That was and still is the procedural status of what Cold Metal refers to as the unadjudicated "counterclaim" in Equity 2991.

The master's report in Equity 2991 lists the licensed mills, fixes the royalty rate for the license, finds that United's license existed from 1930 to 1947 and that United's customers were licensed to use United mills within the scope of the license; and holds that certain United mills are exempt from royalty. It also finds that Cold Metal has failed to respect the license defined in the contract and has failed to perform its obligations under the contract in specifically stated respects, but nevertheless holds United liable to pay royalty for the license. Vol. II of United's Appendix, Appeal 11,582, pp. 38-42.*

The district court on January 19, 1955 approved the master's report in all respects (R. 46-56) and entered judgment against United for $387,650 with interest at six per cent from the date of filing the master's report (R. 56-57). *Both* parties appealed (R. 9-10).

Cold Metal thereafter moved to dismiss United's appeal, on the ground that the district court's order was not in accordance with the provisions of Rule 54 (b).

On March 21, 1955 the Court of Appeals dismissed United's first appeal (R. 57-58), *because the district court had not complied with Rule 54 (b)*, but

> "without prejudice to the right of the District Court, upon application of the appellant [United], to vacate its judgment * * * and to enter a final judgment therein in accordance with Rule 54 (b)"

United promptly moved (R. 58-59) the district court to vacate its first judgment and enter an amended

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* Nine printed copies of this appendix were filed in this Court with the petition for certiorari.

judgment in accordance with Rule 54 (b). Cold Metal opposed that motion. At the hearing thereon (R. 60-72), Judge Willson of the district court commented, as follows:

> "But there is no question about it, * * * so far as I was concerned when I entered that [first] order, I intended a final appealable order with regard to the issue then before me, without question. [R. 66] * * * I think, so far as this Court is concerned, without a decision by the Court of Appeals on that report [of the special master], that we would just be wandering in an area where we couldn't see our way out if we tried any other issue until this case is decided. [R. 69.] * * * With all deference to other Courts and to counsel in this case and to you, Mr. Webb, I feel they are entitled to have this order. I personally would like to see the Court of Appeals pass on this matter because I think it will in the long run facilitate this litigation, in the hope that at some time it will come to a termination and an end. I don't think it can until they have decided this case. [R. 70.] * * * I think if we get a clear cut decision from the Court of Appeals on this question, on this Master's report, and the issues that are raised, and the objections, I think then any Court here, in this Western District of Pennsylvania, will be—the way will be pointed out whereby those matters can be adjudicated. And without that, I think we are just wandering. I know this Court at least would wander around in a forest where you couldn't see your way out. [R. 71.]"

An amended judgment, in accordance with Rule 54 (b), was entered by the district court below on March 30, 1955 (R. 73-74). Again both parties appealed. Cold Metal moved to dismiss United's appeal from the amended judgment (R. 74-75). That motion was denied by the Court of Appeals on April 21, 1955 (R. 77). In its opinion, accompanying the order of denial, the court said (R. 76):

> "We think the determination made under the circumstances of this case is the very kind of thing Rule 54 (b) was written to provide for."

On the record in the Court of Appeals below, United's appeal contests the judgment, on the ground, *inter alia*, that Cold Metal has no standing to collect royalty under a license which, as the master found, it has always denied, repudiated, and breached. Cold Metal contests *inter alia* the *rate* of royalty, the exclusion of certain mills from royalty payments, the amount of the judgment, the holding that United ever possessed any license, the scope of the license (if any has existed), and asserts a right to maintain its current suits now being prosecuted against users of United mills *as infringers* by their use of the very mills on which royalties have been assessed by the master against United.

On October 3, 1955, a week before certiorari was granted by this Court, the parties argued their respective appeals on the merits to the Court of Appeals below. That court has not handed down any decision, presumably awaiting the decision of this court in the cause being argued here.

SUMMARY OF ARGUMENT

The basic question presented for review in this case is whether the district court has entered an appealable judgment in Equity 2991.

Even if it be assumed that the judgment of the district court would not have been appealable in the absence of amended Rule 54 (b), it is made appealable by that rule *per se;* and, when given that effect, the rule is valid and has been properly applied in this case. Even if the amended rule makes some adjudications final (and therefore appealable) that were not so before its adoption, that does not mean that the rule invalidly enlarges appellate jurisdiction. Amended Rule 54 (b) is procedural, and definitive of what constitutes a final judgment for purpose of appeal, (even though other claims remain to be tried) and that is within the procedural rule-making power of this Court.

We argue the propriety of our appeal under Rule 54 (b) as construed by the Court of Appeals for the Third Circuit in *Bendix Aviation Corp. v. Glass,* 195 F.2d 267 (1952).

We also argue, out of abundance of precaution, that under the facts of this case, the judgment of the district court is appealable on the ground that Civil Action 7744 (the so-called "counterclaim") can be maintained and tried as a separate ancillary action,—as the district court clearly intended.

In addition, the judgment of the district court would have been final and appealable under *original* Rule 54 (b), since if it is a "counterclaim" at all, it is a *permissive* and not a *compulsory* one. Finally, since the

judgment is for the payment of money and bears interest and was subject to immediate execution, it would have been appealable (in the absence of amended Rule 54 (b)) under *Forgay v. Conrad,* 6 How. 201 (1848). If the appealability of the judgment below is sustained on any of the grounds stated in this paragraph, the effect of amended Rule 54 (b) as applied to this case is merely procedural and formal; and the rule has not, *per se, created* a final and appealable judgment in this case where none could have been entered except for the rule. Even if it has done so that is within the intent and wording of the rule, and is within the proper rule making power of this court.

ARGUMENT

I. The judgment of the district court is appealable under amended Rule 54 (b).

The judgment of the district court is clearly appealable under the "affirmative" construction of Rule 54 (b), as stated in many decisions. The district court properly exercised its discretion in applying the rule in this case and entering a final judgment in accordance with that rule.

We see no reason to argue at length to this Court its rule-making power, or the validity of its own rule, adopted after careful consideration. On this point, the leading decision is that of the Court of Appeals for the Third Circuit in *Bendix Aviation Corp. v. Glass,* 195 F. 2d 267 (1952). In that case, Judge Maris, speaking for a majority of the full bench, upheld the validity of amended Rule 54 (b) as applied to a final judgment dismissing the complaint, but leaving a counterclaim, for damages arising from the same transaction, pending and untried. It was conceded that the judgment would not have been final and appealable before the adoption of the *amended* rule. That case has now been followed by all of the Courts of Appeals that have had occasion to apply and pass directly on the validity of the rule. We believe that Judge Maris was correct in holding in the *Bendix* case that the effect of amended Rule 54 (b) is procedural and definitive for determining appealability of a judgment on one but not all of multiple claims pending between the parties in the district court, and is clearly within the rule making power of this Court. We adopt his careful reasoning as to the intent and effect of the amended rule as applied to multiple severable claims as our main position before this Court.

In addition we adopt and urge as supporting our position the reasoning of Judge Clark of the Court of Appeals for the Second Circuit in *Reiser v. B. & O.*, 224 F.2d 198, June 9, 1955.

Other reasons for construing and upholding the validity of Rule 54 (b) as applied to our case are discussed in respondent's brief, pp. 24-39, in *Sears, Roebuck v. Mackey,* to be argued immediately before the present case. We believe the arguments there made (so far as pertinent to our case) are sound; and, that it would be redundant to paraphrase and repeat them here.

Rule 54 (b) does not, as contended by Cold Metal, give the district courts power "conclusively to fix appellate jurisdiction." A final judgment can be entered under the rule only on a claim that has been completely disposed of by the trial court. It is not inherently any less final because it has been joined at the *pleading* stage with a separable claim that remains unadjudicated. As we understand it, separable claims that under Rule 13 must or may be *joined* at the pleading stage, may by present Rule 54 (b), for purposes of appeal, be *severed* at the judgment stage. In each case, the joinder and severance is merely a matter of *procedure* authorized by the rules of this Court. Such procedure does not create or destroy substantive rights, or contravene statutory appellate jurisdiction.

If United's claim in Civil Action 7744 must be considered solely as a counterclaim in Equity 2991, Rule 54 (b) is clearly applicable to this case. Equity 2991 then contains separable multiple claims for relief, specifically, Cold Metal's claim for payment on the contract, and United's counterclaim *inter alia*., for set-off or recoup-

ment maturing only when and if the present judgment stands as a result of the appeals now pending. United's claim is based on affirmative rights arising out of Cold Metal's violation of its contractual obligations and its disregard of the final adjudications of the courts below.

The district court in entering its amended judgment, left no doubt (R. 66) that it had *intended its original judgment to be final and appealable,* aside from the formalities required by Rule 54 (b). In dismissing United's *first* appeal, the Court of Appeals clearly indicated that it was doing so solely because those formalities had not been complied with, stating (R. 57-58) that the dismissal was

> "without prejudice to the right of the District Court * * * to vacate its judgment * * * and to enter a final judgment therein in accordance with the provisions of Rule 54 (b) of the Federal Rules of Civil Procedure."

Thereafter in amending its judgment to conform with Rule 54 (b), the district court stated that the issues raised by United's counterclaim could not be intelligently tried until the basic, controlling issues raised by objections of both parties to the master's report were finally determined by the Court of Appeals. Excerpts from the district court's statements (R. 60-72) are quoted in this brief at page 10.

The question of whether or not the district court had abused its discretion in entering its amended judgment under Rule 54 (b) was raised in Cold Metal's motion to dismiss United's second appeal (R. 74-75) and was

fully argued before the Court of Appeals below. In denying the motion, that court said (R. 76).

> "We think the determination made under the circumstances of this case is the very kind of thing Rule 54 (b) was written to provide for. We see not [no] violation of discretion on the part of the district judge in entering it."

The prayers in Civil Action 7744 for *injunction* is dependent upon a final decision by the Court of Appeals on the contested issue of the scope and effectiveness of United's license.

The prayer for *recoupment or set-off* in Civil Action 7744 is effective and intelligently triable only when and if it is finally decided that United must pay a definite amount of royalty under the facts established by the master's report. It arises and can be intelligently litigated if, and only if, and after, there is a final determination, *inter alia,* of the rate and amount of royalty payable and the mills involved under the contract here in suit in the present appeals, which have been argued but not decided in the Court of Appeals below. Cold Metal traverses the decision of the Master and the district court below on those issues, by its pending appeal. To try the counterclaim without appeal on the issues raised by the master's report would complicate and greatly prolong further proceeding in the trial court.

If United at this stage had to establish a liquidated basis for recoupment and set-off, it could do so only speculatively. It would have to proceed without final knowledge of the amount it would have to prove to offset Cold Metal's claim, and without final knowledge as to what amount collected by Cold Metal in the field of United's

exclusive license would be over and above a here contested and therefore possibly changed rate and basis of royalty for the license. Also, if Cold Metal's position that United has never had any license is sustained on appeal, United's whole claim is disposed of thereby, whether called a counterclaim or an ancillary suit. In addition, if United's position (raised by its appeal) that Cold Metal has so materially breached the contract in suit as to destroy its right to any payment under the contract is sustained in the pending appeals, then United will owe nothing to Cold Metal and will have no claim for a set-off or recoupment.

The basic and controlling issues decided by the trial court and now contested by the pending appeals in Equity 2991 have been treated by two judges of the district court as properly severable for trial from the dependent issues raised by Civil Action 7744. That is shown by Judge Miller's order of July 6, 1954 (R. 45-46) in the civil action, postponing *sine die* the trial of that action pending disposition of the master's report in Equity 2991. It is also shown by the statements of Judge Willson on the argument before him on United's motion to enter an amended judgment in accordance with Rule 54 (b) (R. 60-72).

II. In the absence of amended Rule 54 (b), the judgment of the district court in this case would have been appealable.

Under the circumstances of this case above set out, it is submitted that the judgment of the district court would have been final and appealable before the adoption of amended Rule 54 (b).

(1) *Civil Action 7744 (the so-called "counterclaim") would have been maintainable as a separate ancillary action under pre-rules practice.*

In Equity 2506, the adjudication of the courts below (3 F. Supp. 120; 68 F. 2d 564) established (1) United's immunity from suit as an infringer of patent 1,779,195; and (2) United's right to have the same immunity extended to its customers. *Kessler v. Eldred*, 206 U.S. 285 (1907).

In Equity 2991, the 1939 decision of the Court of Appeals, after a trial on the merits, restored the effectiveness of the adjudication in Equity 2506* and established that United had an *exclusive* license under the 1927 contract. 107 F. 2d 27 (R. 178-188). Thereafter Equity 2991 remained open on the pleadings therein *only* for an accounting to determine the amount, if any, that United must pay to Cold Metal under the 1927 contract. As to all substantive issues encompassed in

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* That adjudication had, in effect, been overruled by the 1935 decision of the Court of Appeals in Equity 2991, 79 F.2d 666, which had left United without any affirmative rights under the 1927 contract.

the Court of Appeal's decision, Equity 2991 was closed. 43 F. Supp. 375 (R. 188-192).

Shortly after the mandate on the 1939 appellate decision came down, Cold Metal began the series of illegal acts referred to in United's ancillary complaint, Civil Action 7744 (R. 28-44), including the granting of *unlimited* licenses to mill users to make and have made for their own use the mills covered by United's exclusive license, and the filing of infringement suits under patent 1,779,195 against users of United licensed mills.

United sought to enforce the substantive rights it believed established by the 1939 decision of the Court of Appeals. It first tried to do so (June 20, 1941) by *asking leave to counterclaim in Equity 2991* (R. 23-28). The district court, however, denied such leave (R. 188-192), on the ground that the issues remaining before the district court in that suit were limited by the mandate of the Court of Appeals to an accounting for the payment due Cold Metal, and that (R. 192) United could enforce its substantive rights only *by bringing "another action"* against Cold Metal. 43 F. Supp. 375.

On March 28, 1949, United filed its "Ancillary cross-complaint" in Civil Action 7744. To the extent that action sought to restrain Cold Metal from suing users of United licensed mills, it was based on the enforcement of the final judgments in Equity 2506 and 2991. *Kessler v. Eldred,* 206 U.S. 285 (1907). To the extent that the Civil Action sought affirmative relief and a set-off or recoupment and reimbursement for counsel fees in Cold Metal's suits against users of United licensed mills, it was predicated on Cold Metal's acts in violation of

United's *exclusive* license rights as stated in the 1939 decision of the Court of Appeals.

Under pre-rules practice, the ancillary complaint in Civil Action 7744 would have been maintainable as a separate action to construe and enforce the final judgments of the courts below between these same parties. *Root v. Woolworth*, 150 U.S. 401 (1893); *Cincinnati R. R. v. Indianapolis Ry.*, 270 U.S. 107 (1926); and cases there cited. As stated by this Court in the *Root* case (at pp. 411-412), one purpose of an ancillary action is "to avoid the *relitigation* of questions once settled between the same parties."

The Court of Appeals, however, held (190 F. 2d 217, footnote 1; R. 201) that United's ancillary cross-complaint was not a pleading "which finds sanction in the Federal Rules of Civil Procedure," and should have been filed as a "counterclaim" in Equity 2991, although the trial court (43 F. Supp. 375) had held to the contrary. We question the correctness of that statement of the appellate court. The Federal Rules of Civil Procedure have not abolished such ancillary actions. See Moore's Federal Practice (1st Ed.), Vol. 1, pp. 462-465; *Jones v. Nat'l Bank*, 157 F. 2d 214 (C.A. 8, 1946); *Klages v. Cohen*, 146 F. 2d 641 (C.A. 2, 1945); and compare Rule 60 (b), expressly permitting independent ancillary actions to obtain relief from judgments.

While United was required by the decision of the Court of Appeals (190 F. 2d 217, R. 200-210) to amend its civil action, and did so (R. 28-34), to recite that it was *in part* a counterclaim in Equity 2991, the amendment was in effect a change in nomenclature. It did not change the status of that pleading in so far as it was

an independent ancillary action, if it was originally maintainable as such. The Federal Rules emphasize that the nomenclature of pleadings is unimportant and that pleadings shall be construed "to do substantial justice." Rules 8 (c) and 8 (f).

(2) *The judgment would have been appealable under original Rule 54 (b).*

If United's claim in Civil Action 7744 must be considered purely a counterclaim, it is *not* a *compulsory* one either under the Federal Rules or under former Equity Rule 30. The Court of Appeals has so held (190 F. 2d 217, footnote 17, R. 208-210), on the grounds (1) that United's claim had not *matured** until Equity 2991 had been tried on the merits and United's license rights under the 1927 contract had been established by the 1939 decision of the Court of Appeals (107 F. 2d 27, R. 178-188), when United for the first time "became possessed of rights which it could litigate"; and (2) that, even if United's claim had matured earlier, its claim had been asserted against Cold Metal in another pending action brought before the filing of Equity 2991 (Equity 5059 in Ohio, filed October 15, 1934).

While the Court of Appeals has said (190 F. 2d 217, R. 207) that United's claim

> "grew out of the same 'transaction' or 'occurrence' which created Cold Metal's claim, viz., the 1927 agreement * * *"

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* See *Goodyear v. Marbon*, 32 F. Supp. 279 (D. C. Del., 1940); Moore's Federal Practice (2d Ed.), Sec. 13, 32; and Cyclopedia of Federal Procedure (2d Ed.), Vol. 5, Sec. 1788, p. 457.

that statement is not complete. Throughout the litigation between these two parties, it is United that has been seeking to uphold the 1927 license contract and Cold Metal that has been seeking to destroy it. This is clear from the cited decisions in the prior litigations. United's claim in Civil Action 7744 is primarily based on facts arising subsequent to the 1939 decision of the Court of Appeals (R. 178-188), e.g., Cold Metal's granting direct licenses in United's exclusive field. These facts are different from those on which Cold Metal bases its claim for payment under the contract in suit. They involve acts of Cold Metal after the contract was construed and established by the appellate court in 1939. Under these circumstances, United's pleading in Civil Action 7744, (in so far as it is a "counterclaim") is a *permissive* one and did not arise out of the same "transaction or ocurrence" as Cold Metal's claim. Under *original* Rule 54 (b), therefore, the adjudication of Cold Metal's claim for payment was all that would have been necessary for the entry of a final judgment.

(3) ***The judgment would have been appealable under the principle of Forgay v. Conrad.***

This Court has, in proper cases, approved appeals from the adjudication of *part of the issues* in a litigation, while other issues remained for later adjudication, to be disposed of in the light of an intermediate appellate decision on *vital issues and guiding principles.*

In *Forgay v. Conrad,* 6 How. 201 (1848) the court said (p. 204) that

> "when the decree * * * directs the defendant to pay a certain sum of money to the complainant and the complainant is entitled to have such decree carried immediately into execution, the decree must be regarded as a final one to that extent, and authorizes an appeal [although other unadjudicated issues remain in the case]."

Appeals of this type that have been approved by this Court are referred to in *Radio Station WOW v Johnson,* 326 U.S. 120 (1945).

The judgment below falls within this class of appealable judgments. It was for the payment of money, it bears interest, and it was subject to immediate execution. There would be even more justification in applying the above principle to the present case than in the *Forgay* case, which involved only a single claim that was partially, but not fully, disposed of.

Conclusion.

The appellate court below has properly heard appeals by both parties from a judgment in this case that complies in all respects with the procedure required by Rule 54 (b). That rule and the trial court's order clearly make the judgment in question final and therefore appealable. In effect the rule *defines* finality in a specific limited situation, and established procedure by which disposition of one claim may be final and appealable even though other claims pending between the parties remain unadjudicated. The rule is procedural, definitive, and valid, and as applied to our case does not conflict with any statute. The judgment in this case would have been appealable in the absence of amended Rule 54 (b). Application of the rule to this case removed any arguable uncertainty of finality that might otherwise have arisen when this case reached the appellate court. We believe that result is within the basic purpose and effect of the amended rule.

Respectfully submitted,

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